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~~SECRET~~CENTRAL INTELLIGENCE AGENCY  
Office of the Chief, Economic Research  
Office of Research and Reports

21 June 1955

(Date)

MEMORANDUM FOR: Chief, Economic Research

ATTENTION: Chief, Planning and Review Staff

SUBJECT: Transmission of Draft Report, Ch/E Project No. 15.749

Title: Tax Evasion - North Vietnam

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Author: [REDACTED]

ENCLOSURE: Subject draft report (original and two copies)

1. Enclosure is forwarded herewith for review and publication. Recommended Category:  
☐ IM ☐ RR ☐ IR ☐ RA ☒ Other
2. Statement of coordination attached, with initials of individuals and their units.  
 N.A.
3. Arrangements for maps and/or graphics through St/IR with Cartographic Division.  
 N.A.
4. Recommended Dissemination: ☐ Standard ☒ Requester ☒ Other, foreign, etc. (attach list)  
☐ EIC Subcommittee
5. Has information on US military end products or manpower been used? Explain.  
 N.A.
6. Has direct use been made of the intelligence or information of another agency?  
 No
7. Have all sources been considered in the preparation of this report?  
 No
8. Man-hours utilized by this division in producing this report: 20  
 Branches of other ORR Divisions contributing to this report, and (if available) man-hours utilized by each:
9. Estimate Cards: ☐ Have been submitted to Central Economic Estimates File.  
☐ Are attached. N.A.
10. The analyst responsible for consultation is:

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(Name)

A/F/RR

(Branch)

3393

(Extension)

11. Gaps in Intelligence procedures of the Analysts' Manual Notice (check one)
  - a. Intelligence information gaps disclosed in this project are covered specifically in existing collection requirements. ☐
  - b. Those intelligence information gaps disclosed in this study which were not previously filed as requirements have been transmitted to St/I/R in the form of a requirements memorandum a copy of which is attached. ☐
  - c. Notice is inapplicable to this project. ☒

12. Comments:

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[REDACTED]  
Acting Chief, Analysis Division

The classification of this transmittal sheet will be changed to conform to the classification of the draft report which it covers.

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14 June 1955

MEMORANDUM FOR: Assistant Director for Research and Reports

SUBJECT : Tax Evasion in North Vietnam

REFERENCE :

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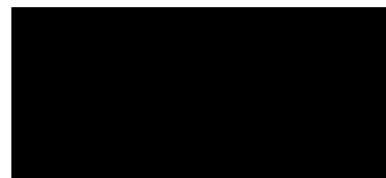
1. It is requested that [REDACTED] be provided with information concerning possible means of tax evasion in North Vietnam (DRV), probably based on your analysts' knowledge of DRV tax structure.

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2. On 10 June 1955 [REDACTED] outlined our specific needs in this matter to [REDACTED] of your office.

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Ch/B Project No. 15.749

IP-398

Tax Evasion - North Vietnam

21 June 1955

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I. GENERAL TAX STRUCTURE AND REGULATIONS OF THE DEMOCRATIC REPUBLIC OF VIETNAM

In 1952, collection of taxes and control of expenditures were centralized in the hands of the Ho Chi Minh government. No local government expenditures were allowed unless previously authorized by the central government. Local taxes were abolished, and the people were so informed by widespread propaganda. A National Granary Service, supervised by officials appointed by the central government, assumed control of the paddy supplies collected through taxation, thus removing this function from local authority. In 1952 a Viet Minh State Bank was created and it was given a monopoly on currency issue. Bank notes printed in Czechoslovakia on good paper, to make counterfeiting more difficult, were passed into circulation and were exchanged for the old HCM bills at 10 to 1 against the latter. The old money was gradually withdrawn in this fashion. (State, Hanoi Desp. No. 206, 1 June 53. C.)

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In 1952, five principal forms of taxation were instituted to replace the previously irregular taxes-in-kind, real estate and business taxes, agricultural tax, taxes on industry and commerce, commodity taxes, export-import duties, and slaughterhouse taxes. The new agricultural tax was based on production instead of on land area. The taxation rate was to be decided by an assembly of the peasants in the particular area and then approved by the representative of the local government. Greater attention, therefore, was paid to localism and to other factors, such as location of land, fertility of the soil, and climatic conditions. At the beginning the Viet Minh decided that the estimated production of a given lot should be set at a reasonable figure, so that the rice cultivator would be encouraged to produce as much as possible in the expectation that he could keep production remaining after taxes for himself. A system of exemptions was also created for family units in contrast to the previous system whereby an entire family living off, for example, a rice paddy of 5 mau would pay the same tax as an individual farmer cultivating an equivalent area. A progressive tax schedule was placed into operation rising from 6 percent to 45 percent of the normal size landholders, with the larger owners paying even higher than this figure. (Source document note: This is over and above that portion of foodstuffs grown by the individual or family which he or they consumed as daily nourishment.) (State, Hanoi Desp. No. 206, 1 June 53, C.)

Taxes on industry and commerce under the reform of 1952 were of three types: turnover taxes, taxes on gross profits, and taxes on particular transactions in the case of petty merchants. Taxes on opium and salt amount to one-third of production. Tea, sugar, tobacco, and cigarettes are similarly taxed, but at lower rates. Slaughterhouse taxes amount to 10 percent of the value of the processed meat. (Ibid.; CIA/ORR ID-402, 25 Oct. 54, S. US Officials Only.) (For more details on 1952-53 Viet Minh Tax system see: State, Hanoi Desp. No. 189, 23 April 53, C.)

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**B. Some Additional Information on Agricultural Taxes.**

1. Taxation rates. Several reports indicate that in 1952 the agricultural tax was as high as 75 percent of the crop. One of these reports also notes a subsequent reduction to 40 percent on the October 1953 crop. [REDACTED]

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2. Time and Method of Collection. The agricultural tax is collected in two stages: during the May and November harvests. [REDACTED] State, Hanoi Tel. No. 1361, 22 May 1955, Official Use Only)

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Government cadres are dispatched to ensure that the required amounts of grain - and preferably additional amounts - are collected. Local cadres are trained to harass the farmers into giving more than the amount requested and such "donations" are often given in order to gain the good graces of the authorities. In 1953 at least, in addition to the basic agricultural tax there were other collections in the form of donations for "the winter of the troops", "aid to disaster-struck areas", "the national defense contribution" and others. The people were thus forced to give up the majority of their entire harvests and to feed themselves and their families with such secondary foods as manioc, corn, and tubers. [REDACTED]

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**C. New Taxes**

In January 1955 the Democratic Republic of Vietnam promulgated several new taxes. These were as follows: 1) An ad valorem merchandise tax imposed on manufacturers, producers, purchasers and importers. (Tax schedule covers large variety luxury, semi-luxury and a few staple items.) 2) A stock tax levied on merchants' inventories left over from pre-Viet Minh days in order that merchants who had stockpiled these goods would not be in a superior competitive position. 3) A tax on goods in private hands which exceed certain very limited categories. 4) A new schedule taxes on real estate transactions. In addition, a policy of collecting land taxes payable in rice continues with reports of increased assessments on land-owners in some cases involving imposition on prior year as well as current year taxes. (State, Hanoi Tel. No. 746, 4 Feb 55, S; State, Hanoi Tel. No. 633, 10 Jan 55, Off. Use Only; FDD Summary No. 1482, 6 May 1955, Off. Use Only)

In April 1955 it was announced that the DRV government was planning to institute seven new taxes in the near future including: a commercial profits tax, a patents tax, an individual income tax, an amusement tax, a property registration tax, a property tax, and a salt tax. (State, Hanoi Tel. No. 1060, 2 April 1955, Off. Use Only)

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II. TAX EVASION, ENFORCEMENT AND PENALTIES FOR EVASION

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A. Some Cases of Tax Evasion or Attempted Evasion

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A DRV directive [redacted] apparently addressed to tax collecting cadres lists the following illuminating examples of tax evasion and reasons for underpayment of taxes:  
1) Rich peasants divided their large rice fields into parts so as to avoid the tax on large holdings and in the meantime discreetly received rent or labor for the parts they had "sold". 2) Exaggerations of numbers of dependents in order to increase rations per capita per peasant family. 3) False harvest declarations. 4) False declarations of cultivated areas. This same directive also blamed the tax collecting cadres for improper assessments and partial tax reductions for friends and relatives.

Other reports also show that the cadres are often held responsible for underpayment of taxes and underfulfillment of grain collection on the one hand and for the antagonism of the peasants towards taxation on the other hand. Thus, the cadres are blamed for underestimating harvests in some areas and not collecting enough paddy, and overestimating harvest yields in another area and giving rise to complaints among the people. The cadres are also accused of exempting some people from paying without authority to do so. [redacted]

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[redacted] At a self-criticism meeting in the village of Bae Luong (Tho Xuan District, Thanh Hoa Province), for example, party members of the village party cell blamed the tax cadres for exempting them from taxation! (FDD Summary No. 482, 6 May 1955, Off. Use Only, p. 9) The families of cadres also suffer from the agricultural tax because the cadres themselves are supposed to set a good example, but the tax collectors are usually less severe with the cadres and their families. For example, the cadres are given periods of grace to pay the balance owed or even in some cases the cadre can borrow the amount needed from the Regional Committee. [redacted]

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B. Enforcement and Penalties for Tax Evasion

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The same DRV directive that was referred to above [redacted] gave the cadres directions for overcoming the various forms of tax evasion already noted by the directive itself. In general, they called for the organization of the people to aid them in discovering frauds; and attempt to make realistic assessments of harvests by comparisons with previous harvest. The directive called for the seizure of the harvests of peasants who pretended to have given their rice fields away, but who in reality collected rents or interest in secret; the rice field of such peasants furthermore was to be allotted to their children.

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[REDACTED]

the Viet Minh tax collectors and compulsory crop levy collectors were overbearing, abused what little authority they had and were greatly disliked by the people. It was then a common practice for the farmers to conceal part of their harvest to escape paying the exorbitant taxes. If such cases were discovered, the Viet Minh officials relieved the farmers of all their rice under the assumption that they had more hidden.

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When the DRV provisional regulations on merchandise taxes were promulgated in January 1955, the means of collection and enforcement of the same taxes were also announced. It was stated that the tax bureau would collect taxes on local products by the following means: a) In case of large factories, bureau will send men to factories to collect; b) In case of small factories where above procedure is not feasible, bureau will study the quantity of goods produced and study problem; c) In other cases the bureau will collect taxes when goods are circulated from one place to another. It was also stated that the tax bureau should deliver receipts for the merchandise taxes. Regarding penalties for actions contrary to these merchandise laws the following punishments were announced: A) Those who disobey rules about registration, making declarations etc. and those who refuse to present accounts or other necessary papers will be fined from 30,000 to 3 million dong (approximately \$30 to \$3,000). B) For clandestine production, black marketeering and other actions to evade taxes, punishments will vary according to crimes and guilty persons will be subject to fines equal to from one to five times the amount of the tax evaded, to confiscation of all their merchandise, or to both punishments. For other acts of tax evasion such as forging tax stamps, etc., guilty persons will be tried before tribunal. It was also announced at this time that those who aid the tax bureau to discover cases of fraud will receive rewards of from 30 percent to 50 percent of the amount of fines or of confiscated items. It was also promised that the identity of the informers would be kept secret. (State, Hanoi Tel. No. 631, 10 Jan 55 Off. Use Only - N.B. See this reference for considerable additional detail not given here on collection of the new merchandise taxes.)

In April 1955 the Viet Minh were strictly enforcing the merchandise tax programs by cracking down on small sidewalk vendors who had not yet declared merchandise and paid the stamp tax. For tax purposes the DRV also defined "big business" as those earning monthly net profit of over 600,000 dong (almost \$600). (State, Hanoi Tel. No. 1098, 6 April 1955, S.) Although the new government taxes may be revenue measures in part, basic reasoning behind the program appears to be a Viet Minh effort to weed out the commercial class, as a forerunner to nationalized economy by imposing excessive taxation. (State, Hanoi Tel. No. 746, 4 Feb 55, S.)

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[REDACTED] the rate of tax on gross sales is computed by the "popular conference" method. For example, a group of tailors who are affiliated with the Viet Minh go from shop to shop in order to determine the sales and the tax rate. The gross sales tax has increased 150 to 200 percent over the rate collected by the Vietnamese authorities. [REDACTED]

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Under the Slaughter Tax Decree (See F&D Summary No. 482, 6 May 1955, OFF. USE ONLY, pp.7 and 8 for full details.) evasions or violations of this law will be punished as follows: a) failure to act in accordance with the law will be punished by a fine of up to 100,000 piasters; b) butchering or selling black-market meat will be punished by a fine of up to five times the amount of tax evaded; and c) the issuance of false receipts or the violation of the law protecting animal life will be treated as a criminal offense before a court.

### III. SUGGESTIONS FOR TAX EVASION

#### A. Some Techniques and Means

The fact that many of the actual means and techniques of tax evasion already seem to be well-known to the North Vietnamese peasant and city-dweller was demonstrated under the section on "Tax Evasion, Enforcement and Penalties for Evasion". However, for purposes of recapitulation we will list some of the more obvious ones here in brief:

##### 1. Agricultural Tax Evasion

- a. False harvest declarations
- b. False declarations of cultivated areas
- c. Exaggerations of the numbers of dependents
- d. Division of large plots of land into smaller ones and secretly renting the small plots of land to other peasants.
- e. Bribery wherever possible of tax cadres for purposes of immediate tax evasion and compromising of the cadres for future evasions.
- f. Threat of denunciation of a tax cadre who has purposely or mistakenly underestimated a neighbor's harvest yield.
- g. Delivery of poor quality paddy to tax collection authorities.
- h. Delaying payment of taxes
- i. In areas where feeling is running very high because of rice shortage, some boycotting, insulting and mistreatment of tax cadres might be organized.

##### 2. Non-Agricultural Tax Evasion

- a. Falsification of tax receipts, stamps and documents
- b. "Under-the-counter" transactions between merchants to avoid the various forms of merchandise taxes.
- c. Keeping false account books for the purpose of deception

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- d. Clandestine manufacturing activities and selling of goods on the black-market.
- e. Secret slaughter of livestock to avoid slaughter taxes and selling of the meat on the black-market.

It appears from the above listing that the North Vietnamese are well aware of many of the actual direct means of tax evasion. However, it might be useful to examine some of the actual means for promoting tax evasion.

#### B. Means of Promoting Tax Evasion

There appear to be at least three general methods for promoting tax evasion in North Vietnam. These are in brief: 1) By judicious use of propaganda in the rumor market; 2) By secret organization for resistance and collusion on the part of the taxpayers; and c) By counterfeiting of official DRV tax receipts and documents.

##### 1. Propaganda of Rumors

Perhaps the most practical and simplest means of attempting to thwart an efficient DRV tax collection effort is to be found in the rumor market. Here ideas can be planted by means of word of mouth, surreptitious leaflets, poster-slogans, etc.

The present acute food shortage in North Vietnam should provide a native populace with an unusually receptive state of mind for any rumors concerning the rice shortage and placing the blame for it on the Viet Minh. In this connection rumors along the following lines might be useful:

a. "The Government is largely responsible for causing the famine because of excessive collections of paddy in the land tax. People would have enough to eat in these time of poor harvests if it were not for the excessive taxation and grain collection. The government is indifferent to the troubles of the peasants in these times of famine and rising prices."

b. "Government is feeding North Vietnam rice, collected in taxes, to the Chinese advisors and technicians in North Vietnam".  
- Exploit the natural antipathy of the Vietnamese towards the Chinese.  
"Are we trading the French masters for the old Chinese ones?"

c. "The government is using too much rice to feed the non-productive Army". "Independence from France is won. Why do we have to maintain such a big army as such a big expense to us in terms of food?" "The poor rice farmer has to support everything: the army, government workers, and city parasites."

d. In order to encourage greater hoarding among the peasants the rumor should be spread that the food shortage will be worse next year.

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- e. Comparisons with South Vietnam should be made. There, there is enough rice for all and no excessive taxation.
- f. Much should be made of any preferential tax treatment accorded by the DRV to personnel of nationalized industries, local party cadres, etc.
- g. Cases of tax cadre errors and favoritism towards their own friends and families should be published and exaggerated. Greater antipathy can thus be created against the tax cadres.
- h. The names of tax informers, whenever known should be published by secret leaflet or posters so that natural retribution may take its course.
- i. Ridicule of the "merit certificates" which the DRV gives to peasants who willingly comply with the tax regulation should be encouraged, as well as ridicule of the recipients of the "merit certificates."

## 2. Organization and Collusion of Agricultural Tax Payers

Another means of thwarting efficient DRV tax collection is the organization of the peasants into groups which by pre-agreement and pre-arrangement would frustrate the efforts of tax cadres by giving them inaccurate harvest yields for a given area, deceive the tax cadres as to plot boundaries, land tenancy, number of inhabitants, etc. Although this method would be a very practical way of promoting agricultural tax evasion it is much more difficult and dangerous than the propaganda methods. This is particularly true now that the Viet Minh have consolidated their control in most of the rural areas of North Vietnam. Some localities which the Viet Minh have not fully penetrated might be more susceptible for the employment of this technique of tax evasion.

## 3. Counterfeiting of Official DRV Tax Papers and Other Documents.

Another obvious means of promoting tax evasion is by providing agents with counterfeit tax receipts, stamps and other tax documents. Because some of the tax laws specifically proscribe the actual forging of tax stamps, etc., the providing of counterfeit copies to agents for dissemination might encourage the use of such counterfeit documents by people who otherwise would have neither the desire or the skill to produce the imitations themselves. Furthermore, given adequate models, the quality of the "imported" counterfeit tax documents would undoubtedly be better than those produced locally.

It is also suggested that the DRV rice coupon ration cards be carefully counterfeited and flooded onto the market as a means of confusing the DRV's program of rice collection and distribution, and thus indirectly impede and complicate the DRV's rice revenue system, encourage hoarding and raise the price of rice.

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